

Message Text

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E.O. 11652: NA

TAGS: ETRD, IT, UK, UR, US

SUBJ: NEGOTIATIONS FOR KAMA RIVER TRUCK TIRE PLANT

1. PASS COMMERICAL NEWSLETTER OF JUNE 10 CARRIES INTERVIEW WITH PIRELLI CHAIRMAN LEOPOLDO PIRELLI IN WHICH LATTER STATES THAT HIS FIRM HAS PRESENTED SOVIETS PROPOSAL FOR CONSTRUCTION OF TIRE PLANT TO BE CONSTRUCTED IN CONNECTION WITH KAMA RIVER TRUCK PLANT. NEW TIRE PLANT IS PROJECTED TO HAVE CAPACITY OF 3.5 MILLION UNITS PER YEAR, AND PIRELLI ESTIMATES THAT COST OF EQUIPMENT FOR PLANT WILL BE APPROXIMATELY 200 BILLION LIRE (APPROXIMATELY \$300 MILLION). ACCORDING TO PIRELLI, PROPOSAL FOR PLANT WAS DEVELOPED IN COOPERATION WITH DUNLOP, AND "SEVERAL U.S. COMPANIES" ARE SLATED TO PROVIDE SUBSTANTIAL SHARE OF EQUIPMENT. PIRELLI NOTES TOUGH INTERNATIONAL COMPETITION FOR THIS PROJECT AND INCLUDES PLEA FOR SOVIET UNDERSTANDING OF DIFFICULT CONDITIONS FOR COMPANIES SUCH AS PIRELLI AS A RESULT OF HIGHER RAW MATERIAL COSTS AND CURRENCY FLUCTUATIONS. PIRELLI ALSO STATES THAT HIS COMPANY, DUNLOP AND U.S. EQUIPMENT SUPPLIERS WILL HAVE TO BE ABLE TO COUNT ON SUPPORT OF THEIR RESPECTIVE GOVERNMENTS IN PROVIDING NECESSARY FINANCING.

2. COMMENT: EMBASSY AWARE THAT MOST OF MAJOR U.S. TIRE COMPANIES HAVE TAKEN LOOK AT KAMA TRUCK TIRE PLANT PROJECT, AND IT IS OUR LIMITED OFFICIAL USE

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IMPRESSION THAT ALL EXCEPT UNIROYAL HAVE SHIED AWAY. EVEN IN CASE

OF UNIROYAL, WE UNDERSTAND THAT IN MOST RECENT DISCUSSIONS SOVIETS SHOWED GREATER INTEREST IN PURCHASES OF U.S. TIRE MAKING EQUIPMENT RATHER THAN IN POSSIBILITY THAT UNIROYAL MIGHT TAKE ON PROJECT AS GENERAL CONTRACTOR. PIRELLI'S COMMENTS ON LIKELIHOOD THAT SUBSTANTIAL SALES OF U.S. MACHINERY WILL BE INVOLVED ARE INTERESTING IN VIEW OF DISCUSSION AT RECENT MEETING OF US-SOVIET JOINT COMMERICAL COMMISSION.

3.EMBASSY WOULD WELCOME ANY INFORMATION EMBASSY ROME CAN PROVIDE ON STATUS OF PIRELLI'S TALKS WITH SOVIETS AND ON U.S. COMPANIES WITH MAY BE INVOLVED AS EQUIPMENT SUPPLIERS.
STOESSEL

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